

**Table 3.2: Employment Equity Plan of the Municipality**

POST LEVEL 0-1									
CURRENT	BLACK MALE	BLACK FEMALE	COL MALE	COL FEMALE	WHITE MALE	WHITE FEMALE	VACANCIES	VACANCIES BE DURING 2009/10	TOTAL
ACTUAL	1	1	0	1	1	0	3	3	7
TARGET	3	2	0	1	1	0	0	0	7
POST LEVEL 3									
CURRENT	BLACK MALE	BLACK FEMALE	COL MALE	COL FEMALE	WHITE MALE	WHITE FEMALE	VACANCIES	VACANCIES BE DURING 2009/10	TOTAL
ACTUAL	4	1	0	0	2	0	5	3	12
TARGET	4	3	1	1	1	2	0	0	12
POST LEVEL 4-6									
CURRENT	BLACK MALE	BLACK FEMALE	COL MALE	COL FEMALE	WHITE MALE	WHITE FEMALE	VACANCIES	VACANCIES BE DURING 2009/10	TOTAL
ACTUAL	14	5	0	0	4	2	10	5	35
TARGET	13	9	2	4	3	4	0	0	35
POST LEVEL 7-10									
CURRENT	BLACK MALE	BLACK FEMALE	COL MALE	COL FEMALE	WHITE MALE	WHITE FEMALE	VACANCIES	VACANCIES BE DURING 2009/10	TOTAL
ACTUAL	8	13	3	1	5	7	17	7	54
TARGET	15	18	5	6	4	6	0	0	54
POST LEVEL 11-15									
CURRENT	BLACK MALE	BLACK FEMALE	COL MALE	COL FEMALE	WHITE MALE	WHITE FEMALE	VACANCIES	VACANCIES BE DURING 2009/10	TOTAL
ACTUAL	14	8	2	2	0	0	5	0	31
TARGET	9	10	3	3	2	4	0	0	31

### 3.5 SKILLS DEVELOPMENT

This paragraph presents the training interventions made for the employees of the Municipality, Councilors as well as members of the public as determined by the Skills Development Act. The intervention John Taolo Gaetsewe District Municipality is partly in compliance to the **Skills Development Act of, Skills Development Levies Act of and South African Qualification Authority Act.**

**Table 3.3:** Number of employees and councilors trained

Nature of Training	Employee	Councilors	Other municipalities	Community
Executive Leadership Municipal Development Programme (ELMDP)	5	2	0	0
National Certificate in Local Government	0	4	0	0
Municipal Finance Management Development Programme	5	1	0	0
Certificate Programme in Management Development for Municipal Finance (CMDP)	2	0	0	0
Preferential Procurement	7	0	0	0
HR course (payroll)	3	0	0	0
HR (leave)	2	0	0	0
Supervisor of Construction process	3	0	0	0
First Aid	20	0	0	0
Ethics Management	13	0	12	
Protocol Training	0	3		
Graduate Development Programme	0	0	0	44
Water purification	3	-	3	0
Assessor training	5	0	0	2
Auditing performance information	7	0	0	0
<b>TOTAL</b>	<b>75</b>	<b>10</b>	<b>15</b>	<b>46</b>

### **3.5.1 Graduate Development Programme**

This programme was financially supported by Tourism & Hospitality Education Training Authority (THETA). The purpose of the programme was mainly to expose unemployed graduates to working environment. The programme offered 44 unemployed graduates an opportunity of work experience on the following discipline:

- Human Resources Management
- Financial Management
- Travel & Tourism
- Information Technology

The interns participating in this programme were equitably placed in all local municipalities including the district municipality. The Titian Technologies was appointed as Service Provider for administrative purposes.

Through the work experience, gained in this programme interns managed to compete equitably in the labour market and meet the technical manpower needs of our country.

### **3.5.2 Study Assistance**

Based on a Study Assistance Policy staff members are provided with funding of R8000-00 per individual per academic year to further their studies through any higher learning institution in South Africa.

**Table 3.4:** Study assistance provided to employees

<b>Nature of Training</b>	<b>Employee</b>
B Com Internal Auditing	1
Town planning	1
Programme in Financial Management	1
Human Resource Dev.	1
Programme in Procurement	1
Information Technology	1
Business Administration	1
Public Administration	4
Development Studies	2
BA General	1
Certified Internal Auditor	3
Industrial Psychology	1

It should be noted all these programmes listed above are still in progression.

### 3.6 INFORMATION ON STAFFING

#### 3.6.1 Number of staff per function

**Table 3.5:** Number of employees according to departments

<b>STAFF FUNCTION</b>	<b>NUMBER OF STAFF</b>	<b>RESPONSIBLE DEPARTMENT</b>
Basic Service delivery and Infrastructure	20	Basic Services and Infrastructure
Local Economic Development	11	LED
Municipal Transformation and institutional development	22	HR and Corporate Services
Municipal Financial Viability	11	Budget and treasury office
Good governance and community participation	34	HR and Corp Ser & internal Audit Municipal Managers Office & community services
Additional/temporary staff	27	
	127	

Some staff are appointed on temporary/ projects basis.

### 3.6.2 Skills and level of education attained by staff

**Table 3.6:** Levels of education of staff according to departments

Dept / Unit	Current Staff	Vacancies	Professionals	Artisans	Skilled	Unskilled
HR & Corp	22	7	7	0	7	8
Budget & Treasury	11	1	5	0	6	0
LED	11	2	7	0	4	0
Basic Serv & Infr.	20	12	4	0	13	3
Comm Serv	16	7	6	0	9	1
Risk Man.	1	1	1	0	0	0
Off of Mayor	3	0	0	0	3	0
Off of Speaker	1	2	0	0	1	0
Office of Mun Man	7	2	6	0	2	0
Internal Audit	6	2	4	0	2	0
<b>TOTAL</b>	<b>100</b>	<b>36</b>	<b>40</b>	<b>0</b>	<b>47</b>	<b>12</b>

The WSP was submitted to the LG Seta by June 2009 as per legislative requirement. The Annual Training Report for the 2008/09 financial year was submitted on time.

### 3.6.3 Funding made available for training

**Table 3.7:** Funding made available for staff development

SOURCE	AMOUNT (R)	
	AVAILABLE	UTILISED
Internal Funding	139 323-00	76 026.67
Funding from LG Seta from Mandatory Funds	155 671-00	131 781-00
Funding from LG Seta from Discretionary Grant	-	-
Funds from THETA provided through Graduate Programme	2 010 000.00	2 010 000.00
	<b>2 304 994.00</b>	<b>2 217 807. 67</b>

The following institutions also participated in the provision of skills in the municipality:

- MTI
- Provincial Treasury
- DBSA
- The Department of Housing and Local Government
- University of Pretoria
- Wits University
- University of the North-West

### 3.6.3 Staff attrition

While the Municipality plays an important role in the stimulating the economic growth of the area, ironically, a faster growth rate makes it makes it difficult for the Municipality to compete for skills with the private sector, resulting in high staff mobility.

### 3.6.4 Trends on total personnel expenditure

**Table 3.8:** Expenditure on staff

FINANCIAL YEAR	EXPENDITURE	BUDGET	PERCENTAGE
2009/10	R35 836 406	R38 481 633	
2008/09	R34 028 767	R34 249 753	
2007/08	R30 496 191	R85 708 059	65.5%
2006/07	R26 496 490	R87 908 406	30.14%
2005/06	R24 670 247	R104 483 812	23.61%
2004/05	R22 511 785	R123 406 314	18.24%
2003/04	R18 234 376	R116 811 003	10.61%

### **3.6.5 Number and name of pension and medical aids funds**

SALGA have approved two pension funds and five medical aid funds that provide services to employees of the Municipality.

The following pension funds and medical aids provide services to John Taolo Gaetsewe District Municipality

There are two pension funds

- Cape Joint Pension
- Cape Retirement Fund

There are five medical aids

- Keyhealth
- Bonitas
- Hosmed
- La Health
- Samwumed

### **3.6.6 Arrears owed to the municipality by staff**

There are no outstanding debts that the employees have to pay to the Municipality for this financial year.

## **3.7 DISCLOSURES CONCERNING COUNCILORS, DIRECTORS AND SENIOR OFFICIALS**

The Municipality ensures compliance in terms Section 124 of the **Municipal Finance Management Act, 56 of 2003**, which deals mainly with the disclosures concerning councilors, directors and other official as may be prescribed.

**Table 3.9:** Disclosures concerning Councillors, Directors and Senior Officials for the period 1<sup>st</sup> July 2009 to 30<sup>th</sup> June 2010

Description	Mayor	Speaker	Mayoral Committee	Part-time Councillor	Municipal Manager	Chief Financial Manager	Senior Managers
<b>Salary &amp; Wage</b> Normal	R 360 805.22	R 285 639.14	R 266 846.96	R 97 722.61	-	R 543 300.00	R 543 300.00
<b>Contributions</b> Pensions	R 54 120.78	R 42 845.86	R 40 027.04	R 14 658.39	-	-	-
Medical Aid	R 17 280.00	R 17 280.00	R 17 280.00	R 17 280.00	-	-	-
Other						-	-
<b>Allowances</b> Travel & Motor Car	R 144 069.00	R 115 255.00	R 108 052.00	R 43 220.00	-	R 138 108.00	R 138 108.00
Accommodation	-	-					
Subsistence							
<b>Housing Benefits</b>	-	-	-	-		-	-
<b>Loans &amp; Advances</b>	-	-	-	-		-	-
<b>Other benefits</b> Cellphone	R 34 248.00	R 17 100.00	R 17 100.00	R 17 280.00	-	-	-
<b>Arrears owed to Municipality</b>	-	-	-	-	-	-	-



# **CHAPTER 4:**

## **AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION**

**John Taolo Gaetsewe District Municipality**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**GENERAL INFORMATION**

**NATURE OF BUSINESS**

John Taolo Gaetsewe District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

**COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

**JURISDICTION**

The John Taolo Gaetsewe District Municipality includes the following areas:

Gamagara Local Municipality  
Ga-Segonyana Local Municipality  
Moshaweng Local Municipality

**MEMBERS OF THE MAYORAL COMMITTEE**

Executive Mayor  
Speaker  
Executive Councillor  
Executive Councillor  
Executive Councillor  
Executive Councillor

*S.B. Gaobusiwe  
S. Mosikatsi  
O.C. Mogodi  
M. Eilerd  
M.E. Mochwari  
L.J. Motlhaping*

**MUNICIPAL MANAGER**

*Sipho Abednigo Sebushe*

**CHIEF FINANCIAL OFFICER**

*Sharon French-Sullivan*

**REGISTERED OFFICE**

*P.O. Box 1480  
KURUMAN  
8460*

**AUDITORS**

Auditor-General  
Private Bag X 5013  
Kimberley  
8300

**PRINCIPLE BANKERS**

ABSA BANK

**RELEVANT LEGISLATION**

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

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## MEMBERS OF THE MUNICIPALITY

### COUNCILLOR

Proportional	S.B. Gaobusiwe
Proportional	S. Mosikatsi
Proportional	O.C. Mogodi
Proportional	M. Eilerd
Proportional	M.R. Shuping
Proportional	K.V. Gondwe
Proportional	M.M. Matebesi
Proportional	P. Leserwane
Delegated from Gamagara	O. Nampe
Delegated from Ga-Segonyana	T.E.Meyers
Delegated from Ga-Segonyana	O.A.Gaetsewe
Delegated from Ga-Segonyana	M. Brink
Delegated from Ga-Segonyana	K.G. Mosikatse
Delegated from Moshaweng	L. Motlhaping
Delegated from Moshaweng	E. Mochwari
Delegated from Moshaweng	O.H. Kgopodithate
Delegated from Moshaweng	T.L. Seikaneng

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 65 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

\_\_\_\_\_  
S.A. Sebusho  
Municipal Manager

\_\_\_\_\_  
Date

## **REPORT OF THE CHIEF FINANCIAL OFFICER**

### **1. Introduction**

The Municipality delivered a strong set of financial results for the year ended 30 June 2010 despite the increase demands made on the municipality's financial resources.

The municipality continued its endeavor to improve service delivery by increasing the project expenditure from R 33.8 million in the previous year to R 79.4 million in the year under review.

A Comparison of actual results to the approved budget and explanations of material differences, are set out in the Annual Financial statements as per Appendix E (1).

### **2. Operating Results**

Details of the 2009/10 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and Appendix D & E.

The total expenditure as at 30 June 2010 amounts to R169, 589,016 and the income was R200, 573,617. The operating results ended with a surplus of R30, 984, 601.

#### **2.1 Operating Revenue**

The major revenue streams that supported the programmes and activities of the municipality were:

- Property Rates
- Service Charges made up as follows:
  - ✓ Electricity
  - ✓ Water sales
  - ✓ Waste Management(Sewerage and Sanitation)
- Government Grants and Subsidies
- Other Minor Income sources

#### **2.2 Operating Expenditure**

The pro-active management control and containment of costs remains a key priority of the municipality. To support this initiative council approved cash flow management strategy. Staff costs is still the main category of expenditure and increase from R34 million to approximately R35.8 million.

Further detailed is contained in notes 27 to 34 of the Annual Financial Statements.

### **3. Statement of Financial Position**

For the period under review the net assets increased from R73 million to R 103 million. This increase is attributable to increase in the donation and public contribution reserve (a reserve established by Council for all assets donated by Public and other institution).

#### **4. Cash Flow**

The cash flow position of the municipality improved during 2009/10 financial year. Almost 80% of the cash at 30 June relates to spent conditional grants receipts.

#### **5. Capital Expenditure**

The increase in Capital expenditure was mainly due to the donation of assets from Hotazel. The total acquisition of assets was R 6 846 237. The following table indicated a breakdown of the capital expenditure.

DESCRIPTION	AMOUNT
Buildings	R 117 148
Infrastructure	R 6 443 859
Other Assets	R 269 175

The non-current liabilities increased from R 17, 1 million to R 17, 9 million in 2009/10. The increase of R 800,000 is due to the increase in the provision for Post-Retirement Health Care Benefits.

Further, the non-current assets increased from R 88, 8 million to R 111, 7 million, mainly due to donation of assets from Hotazel.

#### **6. Status of Financial Controls**

Accounting controls are in place and all financial registers, subsidiary ledgers, bank reconciliation, etc are performed daily/monthly. The municipality also met all its statutory obligations such as VAT, PAYE, UIF, etc during the 2009/10 financial year.

#### **7. Expression of Appreciation**

I wish to convey my sincere appreciation to the Executive Mayor, Mayoral Committee, the Chairperson and Members of the Finance portfolio committee, the Audit Committee and Management team for their support and co-operation received during the year.

A special word of gratitude to all Budget & Treasury Office staff for their support, dedication and contribution.

Finally, a further word of thanks to everybody for the hard-work, sacrifices and concerted effort during the year to enable the municipality to finalize these financial statements within the prescribed period.

SS French-Sulliman  
Chief Financial Officer

# John Taolo Gaetsewe District Municipality

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>100,036,325</b>	<b>73,316,174</b>
Capital Replacement Reserve	2	173,017	-
Donations and Public Contribution Reserve	2	65,663,282	43,279,599
Self Insurance Reserve	2	950,000	800,000
Revaluation Reserve	2	11,359,379	11,690,944
Accumulated Surplus/(Deficit)		21,890,647	17,545,631
<b>Non-Current Liabilities</b>		<b>17,997,145</b>	<b>17,133,556</b>
Long-term Liabilities	3	4,308,084	4,464,002
Non-current Provisions	4	13,689,061	12,669,554
<b>Current Liabilities</b>		<b>29,450,882</b>	<b>19,980,482</b>
Provisions	5	4,045,820	3,296,007
Trade and Other Payables	6	7,568,605	4,319,346
Unspent Conditional Government Grants and Receipts	7	17,675,361	12,195,820
Current Portion of Long-term Liabilities	3	161,096	169,309
<b>Total Net Assets and Liabilities</b>		<b>147,484,352</b>	<b>110,430,212</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>110,460,891</b>	<b>88,879,446</b>
Property, Plant and Equipment	10	108,257,004	87,167,801
Investment Property	12	1,365,000	1,365,000
Heritage Assets	10	19,750	-
Intangible Assets	13	231,768	342,805
Assets Held for Sale	11	582,493	-
Investments	14	4,876	3,840
<b>Current Assets</b>		<b>37,023,461</b>	<b>21,550,766</b>
Inventory	15	31,328	32,900
Trade Receivables from exchange transactions	16	2,870,786	3,185,894
Other Receivables from non-exchange transactions	17	249,684	189,596
Unpaid Conditional Government Grants and Receipts	7	1,524,957	7,203,457
Taxes	8	6,063,103	6,798,928
Deposits		4,300	-
Cash and Cash Equivalents	41	26,279,303	4,139,991
<b>Total Assets</b>		<b>147,484,352</b>	<b>110,430,212</b>

# John Taolo Gaetsewe District Municipality

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		66,279,210	50,446,986
Taxation Revenue		865,784	21,681
Property taxes	19	865,784	21,681
Transfer Revenue		65,413,393	49,915,284
Government Grants and Subsidies	20	65,413,393	49,915,284
Public Contributions and Donations		-	-
Contributed Property, Plant and Equipment		-	-
Other Revenue		33	510,021
Fines		33	-
Levies		-	510,021
Revenue from Exchange Transactions		138,153,739	47,465,905
Property Rates - penalties imposed and collection charges		-	-
Service Charges	23	7,654,650	5,544,882
Rental of Facilities and Equipment		44,196	57,006
Interest Earned - external investments	24	1,594,626	1,814,455
Interest Earned - outstanding receivables	25	35,335	-
Workshop Income		2,432,666	-
Other Income - Projects		85,060,923	33,870,530
Other Income	26	41,331,343	6,179,032
<b>Total Revenue</b>		<b>204,432,949</b>	<b>97,912,891</b>
<b>EXPENDITURE</b>			
Employee related costs	27	35,836,406	34,028,767
Remuneration of Councillors	28	3,286,132	2,877,509
Debt Impairment	29	350,000	-
Collection Costs		55,656	46,264
Depreciation and Amortisation	30	3,785,713	4,039,535
Repairs and Maintenance		5,616,252	6,999,688
Actuarial Losses	4	-	452,024
Finance Costs	31	378,264	1,633,624
Bulk Purchases	32	5,631,414	4,775,692
Project Cost		100,801,063	39,524,769
Grants and Subsidies Paid	33	66,667	80,000
General Expenses	34	14,483,059	8,286,813
Bad Debts		1,496,054	-
<b>Total Expenditure</b>		<b>171,786,680</b>	<b>102,744,685</b>
Operating Surplus for the Year		32,646,269	(4,831,794)
Gains/(Loss) on Sale of Assets		(214,717)	-
(Impairment loss)/Reversal of impairment loss		-	-
Profit/(Loss) on Fair Value Adjustments		-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>32,431,552</b>	<b>(4,831,794)</b>
Refer to Appendix E(1) for explanation of variances			



# John Taolo Gaetsewe District Municipality

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Capital Replacement Reserve	Donations and Public Contribution Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
Balance at 1 July 2008	-	43,279,599	800,000	11,690,944	17,545,631	73,316,174
Correction of Error - note	-	-	-	-	233,534	233,534
Correction of Error - note	-	-	-	-	(1,386,936)	(1,386,936)
Change in Accounting Policy - note	-	-	-	-	-	-
Restated balance	-	43,279,599	800,000	11,690,944	16,392,229	72,162,772
Net Surplus/(Deficit) for the year	-	-	-	-	-	-
Transfer to/from CRR	-	-	-	-	-	-
Property, Plant and Equipment purchased	-	-	-	-	-	-
Capital Grants used to purchase PPE	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-
Asset Disposals	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	-	-
Balance at 30 June 2009	-	43,279,599	800,000	11,690,944	16,392,229	72,162,772
Correction of Error - note	-	-	-	-	-	-
Change in Accounting Policy - note	-	-	-	-	-	-
Restated balance	-	43,279,599	800,000	11,690,944	16,392,229	72,162,772
Net Surplus/(Deficit) for the year	-	-	-	-	-	-
Transfer	1,447,240	-	-	-	32,431,552	32,431,552
Equitable Share- previous years	(1,274,223)	-	150,000	-	(1,597,240)	-
Property, Plant and Equipment purchased	-	-	-	-	(4,577,748)	(4,577,748)
Capital Grants used to purchase PPE	-	24,174,850	-	-	1,274,224	(1)
Capital Replacement Reserve Written Back	-	(1,790,967)	-	-	(24,174,650)	-
Capital Financed from Income Account (Grant)	-	-	-	-	19,750	19,750
Offsetting of depreciation	-	-	-	(331,565)	2,122,532	-
Correction Current Year Deficit	-	-	-	-	-	-
Balance at 30 June 2010	173,017	65,663,282	950,000	11,359,379	21,890,647	100,036,325

# John Taolo Gaetsewe District Municipality

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		256,250,540	153,389,416
Cash paid to suppliers and employees		(235,892,187)	(161,150,711)
Cash generated/(absorbed) by operations	40	20,358,353	(7,761,295)
Interest Received		1,594,626	1,814,455
Interest Paid		(378,264)	(1,633,624)
<b>Net Cash from Operating Activities</b>		<b>21,574,715</b>	<b>(7,580,464)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(386,323)	(2,135,495)
Proceeds on Disposal of Fixed Assets			
(Increase)/Decrease in Investment Properties		-	-
(Increase)/Decrease in Non-current Investments			
<b>Net Cash from Investing Activities</b>		<b>(386,323)</b>	<b>(2,135,495)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		(161,096)	712,044
<b>Net Cash from Financing Activities</b>		<b>(161,096)</b>	<b>712,044</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>22,140,348</b>	<b>(9,003,915)</b>
Cash and Cash Equivalents at the beginning of the year		4,139,991	13,143,906
Cash and Cash Equivalents at the end of the year	41	26,279,303	4,139,991
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>22,139,312</b>	<b>(9,003,915)</b>

## ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The standards are summarised as follows:

<b>GRAP 1</b>	Presentation of Financial Statements
<b>GRAP 2</b>	Cash Flow Statements
<b>GRAP 3</b>	Accounting Policies, Changes in Accounting Estimates and Errors
<b>GRAP 4</b>	The Effects of changes in Foreign Exchange Rates
<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 9</b>	Revenue from Exchange Transactions
<b>GRAP 10</b>	Financial Reporting in Hyperinflationary Economies
<b>GRAP 11</b>	Construction Contracts
<b>GRAP 12</b>	Inventories
<b>GRAP 13</b>	Leases
<b>GRAP 14</b>	Events after the reporting date
<b>GRAP 16</b>	Investment Property
<b>GRAP 17</b>	Property, Plant and Equipment (PPE)
<b>GRAP 19</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>GRAP 100</b>	Non-Current Assets Held for Sale and Discontinued Operations
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 17 – Property, Plant and Equipment

## **2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>GRAP 18</b>	Segment Reporting
<b>GRAP 21</b>	Impairment of non-cash-generating assets
<b>GRAP 23</b>	Revenue from Non-Exchange Transactions (Taxes and Transfers)
<b>GRAP 24</b>	Presentation of Budget Information in Financial Statements
<b>GRAP 26</b>	Impairment of cash-generating assets
<b>GRAP 103</b>	Heritage Assets

**6. FOREIGN CURRENCY TRANSACTIONS**

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

**7. RESERVES**

**7.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

**7.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

## **8. LEASES**

### **8.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **8.2 Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **9. BORROWING COST**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately

established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

## **10. UNSPENT CONDITIONAL GRANTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

## **11. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **12. EMPLOYEE BENEFITS**

### **(a) *Post Retirement Medical obligations***

The District Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

### **(b) *Accrued Leave Pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

## **13. PROPERTY, PLANT AND EQUIPMENT**

### **13.1 *Initial Recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.



Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **13.2 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### **13.3 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **13.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	

**Community**

Buildings	30
Recreational Facilities	20-30
Security	5
Halls	20-30
Libraries	20-30
Parks and gardens	15-20
Other assets	15-20

**Specialised plant and**

Equipment	10-15
Other plant and	
Equipment	2-5
Landfill sites	15
Quarries	25
Emergency equipment	10
Computer equipment	3

**Heritage assets**

No depreciation

**Finance lease assets**

Office equipment	3
Other assets	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), and an impairment loss is charged to the Statement of Financial Performance.

**13.5Derecognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**14. INTANGIBLE ASSETS****14.1Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;

- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **14.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **14.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **14.3 Derecognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is

determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **15. INVESTMENT PROPERTY**

### **15.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

### **15.2 Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### **15.5 Derecognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **16. NON-CURRENT ASSETS HELD FOR SALE**

### **16.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly

probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **16.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **17. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **18. IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in

## **20. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

### **20.1 Initial Recognition**

Financial instruments are initially recognised at fair value.

### **20.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **20.2.1 Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **20.2.2 Trade and Other Receivables**

For amounts due from debtors carried at amortised cost, the municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **20.2.3 Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **20.2.4 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **20.3 Derecognition of Financial Instruments**

#### **20.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### **20.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### **20.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **20.5 Impairment of Financial Assets**



The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **21. REVENUE**

### **21.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **21.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **21.3 Grants, Transfers and Donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset.

#### GRAP 13 Leases

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following finance leases relating to Property, Plant and Equipment, which were not measured in terms of the transitional provisions applicable to GRAP 17:

Motor Vehicles	None
Office Equipment	None

2010 R	2009 R

#### GRAP 16 Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

The municipality is currently in a process of identifying and measuring all Investment Properties in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land	508,000	508,000
Buildings	857,000	857,000
	<u>1,365,000</u>	<u>1,365,000</u>

#### GRAP 17 Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Investment Properties, Intangible Assets or Inventory. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land  
Small asset items below a R 0.00 threshold previously expensed  
Property, Plant and Equipment financed by way of finance leases  
Property, Plant and Equipment financed by way of provisions  
Property, Plant and Equipment transferred as a result of the transfer of functions  
Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it measured in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Land  
Refuse tip-sites financed by way of a provision  
Vehicles and Equipment financed by way of finance leases  
Other small assets identified previously expensed  
Accumulated depreciation as a result of the identification of small assets previously expensed  
Changes to accumulated depreciation as a result of the componentising of infrastructure assets


A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **22. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## **23. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **24. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **25. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **26. CONTINGENT LIABILITIES**

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers. An investment has been ceded to the bank for global security against individual guarantees issued for collateral security provided for approved employees.

Other known contingent liabilities are reflected in the financial statements.

## **27. AGENCY SERVICES**

Council performs a cost-based roads maintenance service on behalf of the Department of Transport, Roads and Public Works of the Northern Cape Province.

Financial reporting on agency services is excluded from these statements as the principal requires reports to be submitted for processing on their independent system.

Inter-authority obligations relevant to the agency service on the reporting date are reflected in the balance sheet.

## **28. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

# John Taolo Gaetsewe District Municipality

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>2 NET ASSET RESERVES</b>		
<b>RESERVES</b>	78,145,678	55,770,543
Capital Replacement Reserve	173,017	
Capitalisation Reserve		
Government Grant Reserve	65,663,282	43,279,589
Donations and Public Contribution Reserve	950,000	800,000
Self Insurance Reserve	11,359,379	11,690,944
Revaluation Reserve		
<b>Total Net Asset Reserve and Liabilities</b>	<b>78,145,678</b>	<b>55,770,543</b>

	R	R
<b>3 LONG TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	4,469,180	4,630,277
Local Registered Stock		
Hire Purchase		3,034
Capitalised Lease Liability - At amortised cost	4,469,180	4,633,311
	161,096	169,309
<b>Less:</b> Current Portion transferred to Current Liabilities		
Annuity Loans - At amortised cost	161,096	169,309
Local Registered Stock		
Hire Purchase		
Capitalised Lease Liability - At amortised cost	4,308,084	4,464,002
<b>Plus:</b> Unamortised charges on loans		
Balance 1 July		
Adjustment for the period		
Restatement of prior year comparatives		
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>4,308,084</b>	<b>4,464,002</b>

The obligations under hire purchases are scheduled below:

	R	Minimum lease payments
Amounts payable under hire purchases:		
Payable within one year	-	3,034
Payable within two to five years		
Payable after five years		3,034
<b>Less:</b> Future finance obligations		
Present value of hire purchases obligations		3,034

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.  
Hire Purchases and Leases are secured by property, plant and equipment

Exemptions from the provisions of the Public Finance Management Act (PFMA) are provided for in the Municipal Finance Management Act (MFMA) and the Local Government Finance Management Act (LGFMA).

4. NON-CURRENT PROVISIONS

Provision for Post Retirement Health Care Benefits  
Total Non-current Provision Liabilities

2010 R	2009 R
14,345,737	12,669,554
<u>14,345,737</u>	<u>12,669,554</u>

Post Retirement Health Care Benefits

Balance 1 July  
Contribution for the year  
Expenditure for the year  
Actuarial Loss/(Gain)  
Total provision 30 June  
Less: Transfer of Current Portion to Current Provisions - Note 5  
Balance 30 June

R	R
12,669,554	11,807,741
2,090,085	1,544,847
(601,398)	(533,660)
187,496	452,024
<u>14,345,737</u>	<u>13,270,952</u>
-	(601,398)
<u>14,345,737</u>	<u>12,669,554</u>

TOTAL NON-CURRENT PROVISIONS

Balance 1 July  
Contribution for the year  
Expenditure for the year  
Actuarial Loss/(Gain)  
Total provision 30 June  
Less: Transfer of Current Portion to Current Provisions - Note 5  
Balance 30 June

R	R
12,669,554	11,807,741
2,090,085	1,544,847
(601,398)	(533,660)
187,496	452,024
<u>14,345,737</u>	<u>13,270,952</u>
(656,676)	(601,398)
<u>13,689,061</u>	<u>12,669,554</u>

4.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members  
Continuation members (e.g. Retirees, widows, orphans)  
Total Members

70	68
22	24
<u>92</u>	<u>92</u>

The liability in respect of past service has been estimated to be as follows:

In-service members  
Continuation members  
Total Liability

R	R
5,601,924	5,113,000
8,743,813	8,157,952
<u>14,345,737</u>	<u>13,270,952</u>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
Hosmed  
LA Health  
Key Health, and  
IAMWU Medical Aid

Key actuarial assumptions used:

i) Rate of interest

Discount rate  
Health Care Cost Inflation Rate  
Net Effective Discount Rate

2010 %	2009 %
9.03	8.37
6.99	6.52
1.91	1.74

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 65 years.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations  
Fair value of plan assets

R	R
14,345,737	13,270,962
<u>14,345,737</u>	<u>13,270,962</u>

Unrecognised past service cost  
Unrecognised actuarial gains/(losses)  
Present Value of unfunded obligations  
Net liability/(asset)

<u>14,345,737</u>	<u>13,270,962</u>
-------------------	-------------------

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year  
Total expenses  
Current service cost  
Interest Cost  
Benefits Paid  
Actuarial (gains)/losses  
Present value of fund obligation at the end of the year

R	R
13,270,952	11,807,741
887,289	1,011,187
<u>402,142</u>	<u>341,659</u>
<u>1,086,545</u>	<u>1,203,188</u>
<u>(601,398)</u>	<u>(533,660)</u>
<u>187,496</u>	<u>452,024</u>
<u>14,345,737</u>	<u>13,270,962</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Effect on the aggregate of the current service cost and interest cost components  
Effect on the defined benefit obligation

Increase	Increase
-	966,000
-	10,336,000

5. Provisions

Bonuses(Including Performance Bonuses)  
Staff Leave  
Current Portion of Non-Current Provisions  
Current Portion of Post retirement Benefits-Note 4

R	R
1,960,088	1,400,469
1,429,056	1,294,140
656,676	601,398
<u>656,676</u>	<u>601,398</u>
<u>4,045,820</u>	<u>3,296,007</u>



	2010	2009
<b>Post Retirement Benefits</b>		
Balance at the Beginning of Year	601,398	534,000
Nett Change	55,278	67,398
Additional provisions		
Contribution to provision	(601,398)	(534,000)
Expenditure Incurred	656,676	601,398
Transfer from non-current portion		
Balance at Year end	656,676	601,398
<b>Staff Leave</b>		
Balance at the Beginning of Year	1,294,140	1,051,690
Nett Change	134,916	242,450
Additional provisions	134,916	242,450
Expenditure Incurred	-	-
Transfer from non-current portion	-	-
Balance Year End	1,429,056	1,294,140
<b>Bonuses</b>		
Balance at Beginning of Year	1,400,469	1,661,208
Nett Change	559,619	(260,739)
Additional provisions	1,458,364	1,400,469
Contribution to provision	(898,745)	(1,661,208)
Expenditure Incurred	-	-
Transfer from non-current portion	-	-
Balance at Year End	1,960,088	1,400,469
<b>TOTAL CURRENT PROVISIONS</b>		
Balance at Beginning of Year	3,296,007	3,246,898
Nett Change	749,813	49,109
Additional provisions	1,593,280	1,642,919
Contribution to provision	(1,500,143)	(2,195,208)
Expenditure Incurred	656,676	601,398
Transfer from non-current portion	-	-
Balance at Year End	4,045,820	3,296,007
<b>6 TRADE AND OTHER PAYABLES</b>		
Trade Payables	6,961,868	3,705,861
Payments received in advance	457,478	187,770
Unspent Funds Thwane	149,259	425,715
Total Creditors	7,568,605	4,319,346
	2010	2009
	R	R
<b>7. UNSPENT CONOITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>7.1 Conditional Grants from other spheres of Government</b>		
Unspent Grants	17,824,620	12,621,535
National Government Grants	6,173,515	9,087,119
Provincial Government Grants	11,637,881	2,761,061
Other Sources	13,224	773,355
Less: Unpaid Grants	(1,524,957)	(7,203,457)
National Government Grants	-	(2,957,597)
Provincial Government Grants	(1,524,957)	(3,230,107)
Other Sources	-	(1,015,753)
Total Conditional Grants and Receipts	16,299,663	5,418,078
Unspent Grants and Receipts	17,824,620	12,621,535
Less: Unspent Funds Thwane-Note 6	(149,259)	(425,715)
	17,675,361	12,195,820

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. The MIG was withheld for months but the full allocation was transferred before year end.



	2010 R	2009 R
<b>13. INTANGIBLE ASSETS</b>		
Net Carrying amount at 1 July	342,805	254,438
Cost	-	522,334
Correction of Error	-	-
Change in Accounting Policy	-	-
Accumulated Amortisation	-	(267,896)
Acquisitions	-	155,799
Amortisation	(111,037)	(67,432)
Disposals	-	-
Amortisation written back on disposal	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	231,768	342,805
Cost	678,133	678,133
Accumulated Amortisation	(448,362)	(344,329)

	R	R
<b>14. INVESTMENTS</b>		
<u>Financial Instruments</u>		
<u>Unlisted</u>		
Long term deposits	4,876	3,840
Total Investments	4,876	3,840
The average interest rate		

No investments have been pledged as security for any funding facilities of the council.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

	R	R
<b>15. INVENTORY</b>		
Consumable Stores - Stationery and materials - At cost		
Maintenance Materials - At cost	31,328	32,900
Water - At purification cost		
Spare Parts - At cost		
Total Inventory	31,328	32,900

The municipality recognised only purchase costs of water for the water inventory.

	R	R
<b>16. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Water	418,042	385,169
Electricity	466,067	199,921
Housing Rentals	-	-
Refuse	88,187	99,835
Sewerage	112,469	147,185
Other Arrears	2,299,162	2,523,132
Total: Trade receivables from exchange transactions (before provision)	3,383,927	3,355,242
Provision for Impairments	(513,141)	(169,348)
Total: Trade receivables from exchange transactions (after provision)	2,870,786	3,185,894

The fair value of other receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days  
Total

2010 R	2009 R
265,095	78,711
26,810	56,878
24,270	58,107
149,892	6,225
<u>466,067</u>	<u>199,921</u>

(Water): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days  
Total

R	R
361,942	136,663
23,558	214,501
10,935	4,002
21,607	30,003
<u>418,042</u>	<u>385,169</u>

(Refuse): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days  
Total

R	R
44,775	38,649
7,356	34,311
4,396	2,078
31,660	24,797
<u>88,187</u>	<u>99,835</u>

(Sewerage): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days  
Total

R	R
65,711	60,796
15,349	54,374
3,210	3,063
28,199	28,952
<u>112,469</u>	<u>147,185</u>

(Other): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days  
Total

R	R
1,435,359	403,998
289,163	1,798,023
5,037	215,845
2,065,657	105,266
<u>3,795,216</u>	<u>2,523,132</u>

(Total): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days  
Total

R	R
2,172,881	718,817
362,236	2,158,087
47,848	283,095
2,297,016	195,243
<u>4,879,981</u>	<u>3,355,242</u>

**Summary of Debtors by Customer Classification**

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2010			
Current (0 - 30 days)	423,928	967,979	780,976
31 - 60 Days	54,270	24,631	283,334
61 - 90 Days	41,664	6,184	-
+ 90 Days	261,122	1,491,090	544,803
Sub-total	780,984	2,489,884	1,609,113
Less: Provision for bad debts	(513,141)		
Total debtors by customer classification	<u>267,843</u>	<u>2,489,884</u>	<u>1,609,113</u>

**Summary of Debtors by Customer Classification**

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2009			
Current (0 - 30 days)	244,785	316,736	157,296
31 - 60 Days	171,082	1,781,423	205,582
61 - 90 Days	6,971	103,894	172,230
+ 90 Days	56,298	111,930	27,015
Sub-total	479,136	2,313,983	562,123
Less: Provision for bad debts	(169,348)		
Total debtors by customer classification	<u>309,788</u>	<u>2,313,983</u>	<u>562,123</u>

**Reconciliation of Provision for Bad Debts**

	R	R
Balance at beginning of year		169,348
Contribution to provision	169,348	-
Bad Debts written off against provision	350,000	-
Reversal of provision	(6,207)	-
Balance at end of year	<u>513,141</u>	<u>169,348</u>

The total amount of this provision is R 513 141.00 and consist of:

Rates	513,141	169,348
Other Debtors		
Total Provision for Bad Debts on Trade Receivables from exchange transactions	<u>513,141</u>	<u>169,348</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates  
Other Debtors

Less: Provision for bad debts

Total Other Receivables from non-exchange transactions

The fair value of other receivables approximate their carrying value.

2010 R	2009 R
249,684	200,326
-	-
249,684	200,326
-	-
249,684	200,326

(Rates): Ageing

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days

Total

R	R
28,592	89,488
24,708	97,479
26,517	517
169,867	10,882
249,684	198,366

Summary of Debtors (Rates) by Customer Classification

30 June 2010

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days

Sub-total

Less: Provision for bad debts

Total debtors by customer classification

Residential	Industrial/ Commercial	national and Provincial Government
22,631	4,871	1,090
22,263	1,593	852
24,933	743	842
148,046	5,930	15,890
217,873	13,137	18,674
217,873	13,137	18,674

Summary of Debtors (Rates) by Customer Classification

30 June 2009

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days

Sub-total

Less: Provision for bad debts

Total debtors by customer classification

Residential	Industrial/ Commercial	national and Provincial Government
89,488		
97,479		
517		
10,882		
198,366	-	-
198,366	-	-

2010  
R

2009  
R

18. CASH AND CASH EQUIVALENTS

18.1 Assets

Call Investments Deposits  
Primary Bank Account  
Cash Floats

Total Cash and Cash Equivalents - Assets

24,311,275	4,047,628
1,966,278	90,613
1,750	1,750
26,279,303	4,139,991

## 18.2 Liabilities

The municipality has the following bank accounts:

### Current Accounts

ABSA Bank Limited - Account Number 960 000 099 :

2010 R	2009 R
R -	R -
1,966,278	90,613
<u>1,966,278</u>	<u>90,613</u>
R -	R -

## 19. PROPERTY RATES

### Actual

Rateable Land and Buildings  
Residential, Commercial and State Property  
Commercial Property  
Industrial Property  
Public Benefits Organisations  
Agricultural Purposes  
State - National/ Provincial Services  
Municipal Property  
Vacant Property

Less: Rebates

Total Assessment Rates

10,511,057	21,681
10,511,057	21,681
(9,645,273)	(7,355)
<u>865,784</u>	<u>14,326</u>

### Valuations - 1 July

Rateable Land and Buildings  
Stand  
Improvement  
Building Clause  
Public Benefits Organisations  
Agricultural Purposes  
State - National/ Provincial Services  
Municipal Property  
Vacant Property

Less: Income Forgone

Total Assessment Rates

1,883,761,000	2,890,801
1,883,601,000	158,701
-	2,572,100
160,000	160,000
-	-
	981,000
<u>1,883,761,000</u>	<u>3,871,801</u>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 1998. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0055 was charged on site values and a rate in the rand of R 0.0055 for improvements. Business were charged at a rate in the rand of R 0.0055 on site values and a rate in the rand of R 0.0055 for improvements.

The basic rate was 0.55 c per Rand on land and buildings (2009 = 0.57 c/R). There are 1500 properties of which 613 are residential.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R15,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one.

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus 0% on outstanding monthly instalments.

## 20. GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share  
Other - Operating Grants  
Other - Capital Grants

Total Government Grants and Subsidies

2010 R	2009 R
43,120,660	11,359,939
21,972,733	38,255,345
320,000	300,000
<u>65,413,393</u>	<u>49,915,284</u>

R - R

## 21. PUBLIC CONTRIBUTIONS AND DONATIONS

Public Contributions - Conditional  
Public Contributions - Unconditional  
Donations

Total Public Contributions and Donations

-	-
-	-
-	-

R - R

## 22. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT

Hotazel  
Community Assets - Vanzylsrus

Total Contributed Property, Plant and Equipment

18,596,942	
5,552,540	
<u>24,149,482</u>	<u>-</u>

R - R

## 23. SERVICE CHARGES

Electricity

Service Charges  
Less: Rebates

Water

Service Charges  
Less: Rebates

Refuse Removal

Service Charges  
Less: Rebates

Sewerage and Sanitation Charges

Service Charges  
Less: Rebates

Other Service Charges - Private Works

Total Service Charges

3,849,274	2,593,972
<u>3,849,274</u>	<u>2,593,872</u>
2,627,181	1,876,363
<u>2,627,181</u>	<u>1,876,363</u>
491,746	428,494
<u>491,746</u>	<u>428,494</u>
686,449	646,053
<u>686,449</u>	<u>646,053</u>
7,654,650	5,544,882



	2010 R	2009 R
<b>24. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	1,594,626	1,814,455
Financial assets		
Other		
<b>Total Interest Earned - External Investments</b>	<b>1,594,626</b>	<b>1,814,455</b>
	R	R
<b>25. INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Long-term Receivables		
Trade Receivables	35,335	-
Other Receivables		
<b>Total Interest Earned - Outstanding Receivables</b>	<b>35,335</b>	<b>-</b>
	R	R
<b>26. OTHER INCOME</b>		
Admin Fees	1,061,613	3,473,755
Fees Buildingplans	3,416	281
Sundries	-	
Sale of refuse bags	-	
Training	155,671	
Telephone Private	317,397	
Admin Private Jobs	13,763,658	2,704,995
Photostats	164,897	
Donations	24,174,651	
Cemetery fees	190	
Product Related Services	1,689,850	
<b>Total Other Income</b>	<b>41,331,343</b>	<b>6,179,032</b>
	R	R
<b>27. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	21,939,811	21,210,930
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	7,026,711	5,801,226
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3,900,218	4,493,618
Housing Benefits and Allowances	1,062,440	1,076,617
Overtime Payments		
Bonuses	1,772,310	1,203,927
Provision for leave	134,916	242,449
Defined Benefit Plan Expenses - Vested Past Service Cost		
Contribution to provision - Ex-gratia pensions		
Contribution to provision - Long Service Awards		
Contribution to provision - Post Retirement Medical		
	<b>35,836,406</b>	<b>34,028,767</b>
<b>Less: Employee Costs allocated elsewhere</b>		
<b>Total Employee Related Costs</b>	<b>35,836,406</b>	<b>34,028,767</b>

#### KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

# REMUNERATION OF KEY MANAGEMENT PERSONNEL

*Remuneration of the Municipal Manager*  
Annual Remuneration - All Inclusive Package  
Traveling Allowance  
Telephone Allowance  
Performance Bonus  
Leave Payments  
**Total**

2010 R	2009 R
-	708,380
-	93,928
-	86,275
-	888,583

*Remuneration of the Chief Financial Officer*  
Annual Remuneration - All Inclusive Package  
Car Allowance  
Acting allowance  
Performance Bonus  
Leave Payments  
**Total**

R	R
618,112	646,912
28,800	
86,619	
-	56,640
95,680	44,939
829,211	748,491

*Remuneration of Manager Corporate Services*  
Annual Remuneration - All Inclusive Packages  
Car Allowance  
Acting allowance  
Performance Bonus  
Leave Payments  
**Total**

R	R
618,112	646,912
28,800	
49,846	37,869
-	29,669
696,758	714,450

*Remuneration of Manager Special Projects*  
Annual Remuneration - All Inclusive Package  
Car Allowance  
Telephone allowance  
Performance Bonus  
Leave payments  
**Total**

R	R
-	657,388
-	
-	77,760
-	69,243
-	804,391

*Remuneration of Manager Technical Services*  
Annual Remuneration - All Inclusive Package  
Car Allowance  
Telephone allowance  
Performance Bonus  
Leave Payments  
**Total**

R	R
657,252	254,614
28,800	
-	80,855
-	66,459
686,052	401,928

**Remuneration of Manager Technical Services Replacement**

Annual Remuneration - All Inclusive Package

Car Allowance

Telephone allowance

Performance Bonus

Leave Payments

**Total**

2010

R

2009

R

-

156,248

-

-

-

-

-

156,248

R

R

**Remuneration of Manager Development and Planning**

Annual Remuneration - All Inclusive Package

Car Allowance

Telephone allowance

Performance Bonus

Leave Payments

**Total**

690,775

172,205

28,800

132,228

42,313

851,803

214,518

R

R

**Remuneration of Manager Internal Audit**

Annual Remuneration - All Inclusive Package

Car Allowance

Telephone allowance

Performance Bonus

Leave Payments

**Total**

-

646,912

-

31,277

-

678,189

R

R

**28. REMUNERATION OF COUNCILLORS**

Mayor

Speaker

Chairpersons of committees

Councillors

Travelling allowance

Telephone allowance

Pension fund contributions

Medical aid contributions

**Total Councillors' Remuneration**

610,523

570,579

478,120

446,844

1,485,418

1,679,660

712,071

180,426

3,286,132

2,877,509

**In-kind Benefits**

The Executive Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and Speaker may utilise official Council transportation when engaged in official duties.

**Certification by the Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....  
Signed: Municipal Manager

	2010 R	2009 R
<b>29. DEBT IMPAIRMENT</b>		
Trade Receivables from exchange transactions - Note 16	169,348	169,348
Contribution for the Year	350,000	
<b>Total Contribution to Bad Debts Provision</b>	<b>519,348</b>	<b>169,348</b>
	R -	R -
<b>30. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	3,672,678	3,963,102
Intangible assets	113,035	76,433
Investment property carried at cost		
Biological assets carried at cost		
<b>Total Depreciation and Amortisation</b>	<b>3,785,713</b>	<b>4,039,535</b>
	R -	R -
<b>31. FINANCE COSTS</b>		
Long-term Liabilities	378,264	425,969
None-current Provision	-	1,207,655
<b>Total Finance Costs</b>	<b>378,264</b>	<b>1,633,624</b>
	R -	R -
<b>32. BULK PURCHASES</b>		
Electricity	2,607,168	2,027,737
Water	3,024,246	2,747,955
<b>Total Bulk Purchases</b>	<b>5,631,414</b>	<b>4,775,692</b>
	R -	R -
<b>33. GRANTS AND SUBSIDIES PAID</b>		
Grants-in-aid and Donations	-	-
Institutions	66,667	80,000
<b>Total Grants and Subsidies</b>	<b>66,667</b>	<b>80,000</b>
	R -	R -
<b>34. GENERAL EXPENSES</b>		
Travel and Subsistence	1,877,014	1,751,393
Telephone	1,373,930	1,091,834
Fuel and Oil	555,838	1,053,730
Bank Cost	59,610	
Audit Fees (External Audit)	1,303,465	915,734
Short Term Insurance	700,168	588,553
Municipal Services	922,134	519,872
Catering	338,059	432,909
Printing and Stationery	297,378	414,113
Training	449,908	359,008
Contribution to Post Retirement Benefits	1,074,785	338,568
Security Services	414,551	245,844
Mayoral Special Programs	117,124	147,549
Advertisements	90,388	107,410
Communication	371,703	102,990
Disaster Assistance	126,096	
ISRDP/IMBIZO Events	305,928	
Tourism Events	197,829	
Targeted Groups	141,779	
Water Quality	70,767	
Speakers Programmes	17,765	
Advocacy Programmes	58,047	
Books & Publications	14,649	
Household Expenditure	101,673	
Conferences	64,813	
Membership Fees	246,879	
Licences	16,607	
Legal Fees	111,576	
Subsidisation Households	29,802	
DMA Committee	83,110	
Uniforms	18,597	
Rates & Taxes	72,406	
Buildings Rent	9,480	
Study Assistance	59,872	
Records Management	27,150	
Pest Control	12,764	
Idle Time	74,704	
HR Foundation	1,000,583	

	2010 R	2009 R
Capacity Building	15,000	
Risk Assessment	186,360	
Commonage Expenditure	54,201	
Funerals Poor & Needy	4,378	
Internal Audit	294,276	
Administration Cost	1,114,000	
Postage, ect	5,903	217,306
General Expenses	<u>14,483,059</u>	<u>8,286,813</u>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance.

	R	R
35. GAIN/ (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	<u>(237,880)</u>	-
Total Gain/ (Loss) on Sale of Assets	<u>(237,880)</u>	-

	2010 R	2009 R
36. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS		
Property, Plant and Equipment	-	-
Total (Impairment Loss)/ Reversal of Impairment Loss	-	-

	R	R
39. CORRECTION OF ERROR IN TERMS OF GRAP 3		
39.1 Property, Plant and Equipment - Grap 17		
Balance previously reported		21,931,524
Property, Plant and Equipment financed through leases previously not recognised - Note 9		30,385
Inventory Items not previously recognised - Note 9		180,842
Depreciation written-off on land in previous years		160,130
VAT on Grants not previously transferred to revenue		
Total	-	<u>22,302,881</u>

	2009 R	2008 R
39.2 Intangible Assets		
Balance previously reported		-
Implementation of GRAP		
Intangible assets previously not recognised		522,334
Total	-	<u>522,334</u>

### 39.3 Long-term Liabilities

Balance previously reported:	3,918,232
Implementation of GRAP	
Leases previously not recognised - Note 3	26,636
Restated balance	<u>3,918,232</u>

### 39.4 Investment Property

Balance previously reported:	
Implementation of GRAP	
Investment Property previously recognised incorrectly - Note 10	(250)
Depreciation written-off on land of investment property in previous years - Note 10	750
Restated balance	<u>500</u>

### 39.5 Non-Current Provisions

Balance previously reported	
Implementation of GRAP	
Post-employment Health Care Benefits previously not recognised - Note 4	(10,220,933)
Restated balance	<u>(10,220,933)</u>
	R

### 39.6 Accumulated Surplus/(Deficit)

Property, Plant and Equipment financed through leases previously not recognised - Note 36.1	30,385
Inventory items previously not recognised - Note 36.1	180,842
Depreciation written-off on land in previous years - Note 36.1	160,130
Intangible assets previously not recognised - Note 36.2	522,334
Leases previously not recognised - Note 36.3	(26,636)
Investment Property previously recognised incorrectly - Note 36.4	(250)
Depreciation written-off on land of investment property in previous years - Note 36.4	750
Post-employment Health Care Benefits previously not recognised - Note 36.5	(10,220,933)
Total	<u>(9,353,378)</u>

### 39.7 Transfer of Funds

Funds in 2008/2009 received as income, but it was project funds	-1,386,936
	<u>-1,386,936</u>

### 40. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	2010	2009
Surplus/(Deficit) for the year	33,731,541	-4,598,257
<u>Adjustments for:</u>		
Depreciation	3,672,678	3,963,102
Amortisation of Intangible Assets	113,035	67,432
Gain on disposal of property, plant and equipment		
Impairments	214,717	
Contribution from/to provisions - Non-Current - Expenditure incurred	886,989	1,997,211
Contribution from/to provisions - Non-Current - Actuarial losses	187,496	452,024
Contribution to provisions - Bad debt	350,000	
Fair Value Adjustments	6,207	
Bad debts written off	-1,594,626	-1,814,455
Investment income	386,323	1,633,624
Interest paid		
Operating Surplus/(Deficit) before changes in working capital	37,954,360	1,700,681
Changes in working capital	7,738,393	-9,461,976
Increase/(Decrease) in Provisions	3,249,259	-552,289
Increase/(Decrease) in Trade and Other Payables	1,180,946	1,650,993
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	5,479,541	-1,488,272
Increase/(Decrease) in Taxes	-931,890	5,088,557
(Increase)/Decrease in Inventory	1,572	-3,090
(Increase)/Decrease in Trade Receivables from exchange transactions	-1,180,947	-2,223,630
(Increase)/Decrease in Other Receivables from non-exchange transactions	-60,088	-771,177
Cash generated/(absorbed) by operations	<u>45,692,753</u>	<u>-7,761,295</u>

		R	
41.	CASH AND CASH EQUIVALENTS	2010	2009
Cash and cash equivalents included in the cash flow statement comprise the following:			
	Call Investments Deposits - Note 18	24,311,275	4,047,628
	Cash Floats - Note 18	1,750	1,750
	Bank - Note 18	1,966,278	90,613
	Total cash and cash equivalents	<u>26,279,303</u>	<u>4,139,991</u>

42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	-
Used to finance property, plant and equipment - at cost	-
Cash set aside for the repayment of long-term liabilities	-
Cash invested for repayment of long-term liabilities	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act

43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

43.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	2,280,494	4,745,156
Unauthorised operating expenditure current year	5,105,636	1,217,946
Unauthorised grant expenditure current year	-	1,062,548
Approved by Council or condoned	(7,396,130)	(4,745,156)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>2,280,494</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	704,169	-
Fruitless and wasteful expenditure current year	20,717	704,169
Condoned or written off by Council	(724,886)	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>704,169</u>

The fruitless and wasteful expenditure was due to interest paid on overdue accounts

43.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	344,716
Irregular expenditure current year	-	-
Condoned or written off by Council	-	(344,716)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
None	None

44. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT  
 44.1 Contributions to organised local government - IMFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

	2010 R	2009 R
Opening balance	233,268	240,314
Council subscriptions	(233,268)	(240,314)
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
	R	R

44.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	1,597,741	912,549
Current year audit fee	1,303,465	912,549
External Audit - Auditor-General	-	-
Internal Audit	294,276	-
Audit Committee	(1,597,741)	(912,549)
Amount paid - current year	-	-
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
	R	R

44.3 VAT - [MFMA 125 (1)(b)]

Opening balance	4,054,004	1,710,372
Amounts received - current year	-	(3,440,201)
Amounts claimed - current year (payable)	-	5,783,833
Amount paid - current year	(1,468,811)	-
Amount paid - previous year	-	-
Closing balance	2,585,193	4,054,004

44.4 PAYE SDL and UIF - [MFMA 125 (1)(b)]

Opening balance	7,060,403	8,911,236
Current year payroll deductions	(7,060,403)	(8,911,236)
Amount paid - current year	-	-
Balance unpaid (included in creditors)	-	-
	R	R

44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	6,687,932	5,688,463
Current year payroll deductions and Council Contributions	(6,687,932)	(5,688,463)
Amount paid - current year	-	-
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-



#### 44.6 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory				
Insurance				
Other				
Executive & Council		47,755		
Corporate Services	10,547	-		
Community Services	-	147,098		
Financial Services				
Technical Services	-	-	1,031,306	
Electrical Services				
Local Economic Development		48,500		
Town Planning				
Strategic Services				
	<u>10,547</u>	<u>241,353</u>	<u>1,031,306</u>	<u>-</u>

#### 45. RETIREMENT BENEFIT INFORMATION

Council employees contribute to the Cape Joint Municipal Pension Fund and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2005.

#### 46. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

##### (a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

##### (b) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

##### (c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

(e) Other Risks

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

	2010 R	2009 R
Investments	3,840	3,840
Long Term Receivables	-	-
Trade receivables from exchange transactions	4,879,982	3,389,220
Other receivables from non-exchange transactions	4,044,900	4,804,866
Other Debtors	1,524,957	6,827,988
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	-	-
Bank and Cash Balances	25,166,252	4,139,991
<b>Maximum Credit and Interest Risk Exposures</b>	<b>35,619,931</b>	<b>19,165,905</b>

47. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Investments		3,840	3,840
Fixed Deposits	Held to maturity		
Long-term Receivables			
Staff Loans	Loans and Receivables		
Consumer Debtors		4,879,982	389,220
Trade receivables from exchange transactions	Loans and Receivables	4,044,900	4,804,866
Other receivables from non-exchange transactions			
Other Debtors		1,524,957	6,827,988
Other Debtors	Loans and Receivables	2,585,193	4,800,565
Taxes	Loans and Receivables		
Government Subsidies and Grants	Loans and Receivables		
Current Portion of Long-term Receivables			
Staff Loans	Loans and Receivables		
Short-term Investment Deposits			
Call Deposits	Held to maturity	-	-
Cash and Cash Equivalents		26,164,502	4,139,991
Bank Balances	Held to maturity	1,750	1,750
Cash Floats and Advances	Held to maturity		

		2010 R	2009 R
<b>SUMMARY OF FINANCIAL ASSETS</b>			
Held to maturity:			
Investments	Fixed Deposits	3,840	3,840
Short-term Investment Deposits	Call Deposits	-	-
Bank Balances		26,164,502	4,139,991
Cash Floats and Advances		1,750	1,750
		<u>26,170,092</u>	<u>4,145,581</u>
Loans and Receivables			
Long-term Receivables	Staff Loans	-	-
Consumer Debtors	Exchange transactions	4,366,840	389,220
Consumer Debtors	Non-exchange transactions	4,044,900	4,804,866
Other Debtors	Payments made in advance	1,524,957	6,827,988
Other Debtors	Government Subsidies and Grants	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
VAT	VAT	2,585,193	4,800,565
		<u>12,521,890</u>	<u>16,822,639</u>
		<u>38,691,982</u>	<u>20,968,220</u>
Total Financial Assets			

			R
<b>Financial Liabilities</b>			
<b>Classification</b>			
Long-term Liabilities			
Annuity Loans	At amortised cost	4,469,180	4,630,277
Capitalised Lease Liability	At amortised cost	-	3,034
Non-current Provisions			
Post-retirement Health Care Benefits	At amortised cost	14,345,737	13,270,952
Provisions			
Performance Bonuses	At amortised cost	1,960,088	1,400,469
Bonusses	At amortised cost	1,429,055	1,294,140
Staff Leave	At amortised cost		
Trade and Other Payables			
Payments received in advance	At amortised cost	457,478	187,770
Unspent Conditional Government Grants and Receipts			
National Government Grants	At amortised cost	7,047,616	9,087,119
Provincial Government Grants	At amortised cost	11,203,615	2,761,061
Other Sources	At amortised cost	13,224	773,355

#### SUMMARY OF FINANCIAL LIABILITIES

At amortised cost:			
Long-term Liabilities		4,469,181	4,464,002
Non-current Provisions		14,245,737	13,270,952
Provisions		3,389,144	2,694,609
Trade and Other Payables		4,806,241	1,700,948
Unspent Conditional Government Grants and Receipts		18,264,455	12,621,535
Total Financial Liabilities		<u>45,174,758</u>	<u>34,752,046</u>

R R

#### 48. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

	2010 R	2009 R
<b>49. PRIVATE PUBLIC PARTNERSHIPS</b>		
Council has not entered into any private public partnerships during the financial year.		
	R	R
<b>50. COMPARISON WITH THE BUDGET</b>		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".		
	R	R
<b>51. CONTINGENT LIABILITY</b>		
Claims against Council	<u>8,669,392</u>	<u>6,589,143</u>
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
Description of events	8,616,251 53,141	8,531,002 53,141
Severance Benefit-BM Olivier Arrear Salary-KW Molete	<u>8,669,392</u>	<u>6,584,143</u>
	R	R
<b>52. RELATED PARTIES</b>		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
<b>52.1 Related Party Loans</b>		
Since 1 July 2002 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are fully paid		
<b>52.2 Other related party transactions</b>		
The following purchases were made during the year where Councillors or staff have an interest:		
<u>Councillor/Staff Member</u>	<u>Entity</u>	
None		
	R	R
<b>53. EXEMPTIONS TAKEN ACCORDING TO DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES</b>		
<b>GRAP 12 Inventories</b>		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment or Agricultural Assets.		
The municipality is currently in the process of measuring all inventories in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.		
Since the previous reporting date the following inventories were measured in accordance with the transitional provisions of GRAP 12 and restated retrospectively:		
Water		
Land held for sale		
Other (list)		

2009  
R·

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

**Refuse tip-sites financed by way of a provision;**

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

Refuse tip-sites financed by way of a provision  
Clearing of alien vegetation  
Post retirement benefits  
Long service awards  
Ex-gratise pensions

2

R

## GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are recognised or measured in terms of the transitional provisions relating to those standards.

582.493

R

**R**

**GRAP 101 Agriculture**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment or Inventories.

The municipality is currently in a process of identifying all agricultural activities and have it valued in terms of GRAP 101 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain Agricultural assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following biological assets were measured at fair value in accordance with GRAP 101 and adjusted to the opening balance of the Accumulated Surplus in the current period. In terms of the transitional provisions comparative information is not required to be restated for prior periods at the initial adoption of the standard:

Game  
Harvested wheat  
Plantations  
Goats

#### GRAP 102 Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Property, Plant and Equipment.

Computer Software  
Intangible assets financed by way of finance leases  
Intangible assets transferred as a result of the transfer of functions  
Servitudes

The municipality is currently in a process of measuring all Intangible Assets in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software  
Accumulated amortisation on computer software

2010	2009
R	R


#### 54. PROCESS TO COMPLY FULLY WITH THE IMPLEMENTATION OF GENERAL RECOGNISED ACCOUNTING PRACTICES (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliable financial reporting.

#### COMMITMENTS

Housing Vanzylrus  
Upgrading and extension of sewerage treatment works

174,400.00	988,984.00
<u>3,022,752.00</u>	
<u>3,197,152.00</u>	<u>988,984.00</u>

#### 56. SELF INSURANCE RESERVE

Council have establish a Self Insurance Reserve for the replacement of external insurance on certain assets according to a policy council have adopted. This policy become effected in the 2009/2010 financial year.

#### 57. DONATION AND PUBLIC CONTRIBUTION RESERVE

Council have a Donation and Public Oonaton Reserve for all assets that were donated to council by public institutions and the depreciation on these assets are offset against the accumulated surplus in the Statement of Changes in Net Assets. Currently all these assets are for Hotazel and with the next municipal elections these assets will be transferred to Moshaweng Local Municipality.

#### 58. WATER LOSSES AT HOTAZEL

Water distribution losses at Hotazel amount to 130417 Kl or to the amount of R873,780.00 for the financial year.

John Taolo Gaetsewe District Municipality

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 July 2009	11,038,315	49,465,460	21,069,200	-	10,402	5,584,421	-	87,167,798
Cost	14,466,377	52,334,120	21,083,000	19,750	49,958	10,902,974	-	98,955,179
Original Cost	8,212,911	52,334,120	12,545,618	18,750	49,958	10,902,974	-	84,065,331
Correction of Error - Note	2,699,467	-	-	-	-	-	-	2,699,467
Change in Accounting Policy - Note	-	-	8,537,382	-	-	-	-	12,151,381
Revaluation	3,613,999	-	-	-	-	-	-	-
Accumulated Depreciation	3,428,062	2,868,660	13,800	-	39,556	5,318,552	-	11,669,630
Original Cost	788,595	2,868,660	13,800	-	39,556	5,318,552	-	9,029,163
Correction of Error - Note	2,699,467	-	-	-	-	-	-	2,699,467
Change in Accounting Policy - Note	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	117,148	6,443,859	-	-	-	269,175	-	6,830,182
Capital under Construction	-	18,596,942	-	-	-	(582,493)	-	18,596,942
Transfers from (to) Non-current Assets Held for Sale - Note 14	-	-	-	-	-	-	-	(582,493)
Cost	-	-	-	-	-	(1,855,278)	-	(1,855,278)
Accumulated Depreciation	-	-	-	-	-	1,272,785	-	1,272,785
Transfers from (to) Investment Properties - Note 15	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Transfers from (to) Intangible Assets - Note 15	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Revaluations	(403,623)	(1,781,337)	(13,800)	-	(10,402)	(1,351,297)	-	(3,560,459)
Depreciation	(403,623)	(1,781,337)	(13,800)	-	(10,402)	(1,351,297)	-	(3,560,459)
Normal Depreciation	-	-	-	-	-	-	-	-
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
Carrying value of disposals	-	(59,563)	-	-	-	(372,321)	-	(431,884)
Cost	(63,141)	(63,141)	-	-	-	(627,475)	-	(600,616)
Accumulated Depreciation	3,578	3,578	-	-	-	155,154	-	158,732
Impairment losses	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Carrying value at 30 June 2010	10,751,840	72,555,381	21,056,400	18,760	-	3,764,553	-	108,257,004
Cost	14,583,525	78,840,075	21,083,000	19,750	-	8,789,386	-	123,115,746
Original Cost	10,969,626	78,840,075	21,083,000	19,750	-	8,789,386	-	119,501,747
Revaluation	3,613,999	-	-	-	-	-	-	3,613,999
Accumulated Depreciation	3,831,685	4,546,419	27,500	-	-	5,024,743	-	13,530,447
Original Cost	3,831,685	4,546,419	27,500	-	-	5,024,743	-	13,530,447
Revaluation	-	-	-	-	-	-	-	-

Reconciliation of Carrying Value									
	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R	
Carrying value at 1 July 2008	10,891,833	61,209,848	21,063,000	-	20,393	5,415,843	-	88,620,915	
Cost	11,268,750	52,334,120	21,063,000	-	49,958	9,325,639	-	94,061,457	
Original Cost	7,654,751	52,334,120	12,545,518	-	49,958	9,325,639	-	81,910,006	
Change in Accounting Policy - Note	-	-	-	-	-	-	-	-	
Revaluation	3,613,999	-	8,537,382	-	-	-	-	12,151,381	
Accumulated Depreciation	788,595	2,868,660	13,800	-	39,556	5,318,552	-	9,028,163	
Original Cost	788,595	2,868,660	13,800	-	39,556	5,318,552	-	9,028,163	
Correction of Error - Note	-	-	-	-	-	-	-	-	
Change in Accounting Policy - Note	-	-	-	-	-	-	-	-	
Revaluation	-	-	-	-	-	-	-	-	
Acquisitions	282,259	-	-	-	-	-	-	-	
Capital under Construction	275,901	-	-	-	-	1,577,335	-	1,959,584	
Transfers from/to Non-current Assets Held for Sale - Note 14	-	-	-	-	-	-	-	275,901	
Cost	-	-	-	-	-	-	-	-	
Accumulated Depreciation	-	-	-	-	-	-	-	-	
Transfers from/to Investment Properties - Note 15	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	
Accumulated Depreciation	-	-	-	-	-	-	-	-	
Transfers from/to Intangible Assets - Note 16	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	
Accumulated Depreciation	-	-	-	-	-	-	-	-	
Revaluations	-	-	-	-	-	-	-	-	
Depreciation	(411,678)	(1,744,386)	(13,800)	-	(9,991)	(1,408,757)	-	(3,588,612)	
Normal Depreciation	(411,678)	(1,744,386)	(13,800)	-	(9,991)	(1,408,757)	-	(3,588,612)	
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-	
Carrying value of disposals	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	
Accumulated Depreciation	-	-	-	-	-	-	-	-	
Impairment losses	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	
Accumulated Depreciation	-	-	-	-	-	-	-	-	
Carrying value at 30 June 2009	11,038,315	49,465,460	21,069,200	-	10,402	5,584,421	-	87,167,790	
Cost	11,826,910	52,334,120	21,063,000	-	49,958	10,902,974	-	96,166,962	
Original Cost	8,212,911	52,334,120	12,545,518	-	49,958	10,902,974	-	84,045,591	
Revaluation	3,613,999	-	8,537,382	-	-	-	-	12,151,381	
Accumulated Depreciation	788,595	2,868,660	13,800	-	39,556	5,318,552	-	9,028,163	
Original Cost	788,595	2,868,660	13,800	-	39,556	5,318,552	-	9,028,163	
Revaluation	-	-	-	-	-	-	-	-	

## 10.3 Details of Valuation

The effective date of the revaluations was 30 June 2008. Revaluations were performed by an independent valuers, Valudolo. The values are not connected to the municipality. Land and Buildings are revalued independently every 4 years.



APPENDIX A  
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30/06/2009	Received during the period	Redeemed written off during the period	Balance at 30/06/2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
<b>LONG-TERM LOANS</b>									
Total Long-term Loans									
<b>ANNUITY LOANS</b>									
DBSA	10.848%	NC 101797		1,738,662	-	42,010	1,696,652	902,967	-
DBSA	11.640%	NC 102567		2,891,614	-	119,086	2,772,528	5,763,423	-
Total Annuity Loans				4,630,276	-	161,096	4,469,180	6,666,390	-
<b>GOVERNMENT LOANS</b>									
Other				-	-	-	-	-	-
Total Government Loans				-	-	-	-	-	-
<b>LEASE LIABILITY</b>									
Office Equipment				-	-	-	-	-	-
Total Lease Liabilities				-	-	-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>				4,630,276	-	161,096	4,469,180	6,666,390	-

**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

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**APPENDIX B**  
**JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value			
	Opening Balance	Additions	Under Construction	Disposals	Journal	Closing Balance	Opening Balance	Additions		Disposals Income	Journal	Closing Balance
Total brought forward	85,244,030	6,580,757	18,596,942	63,141	2,639,467	112,998,055	3,671,055	2,198,760	3,578	2,639,467	8,505,704	104,492,351
Lease Assets	49,958	-	-	49,958		-	39,556	10,402	49,958		-	-
Office Equipment (Lease)												
Other Assets	10,902,974	269,175	-	2,382,753		8,789,396	5,318,552	1,351,297	1,645,106		5,024,743	3,764,653
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-
Emergency equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Fire Engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse Tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy Tankers	-	-	-	-	-	-	-	-	-	-	-	-
Water crafts	-	-	-	-	-	-	-	-	-	-	-	-
	10,902,974	269,175	-	2,382,753		8,789,396	5,318,552	1,351,297	1,645,106		5,024,743	3,764,653
Total	96,196,962	6,849,932	18,596,942	2,495,852	2,639,467	121,787,451	9,029,163	3,560,459	1,698,642	2,639,467	13,530,447	108,257,004

APPENDIX C  
JOHN TAOLONGA DISTRICT MUNICIPALITY  
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010  
MUNICIPAL VOTES CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Journal	Closing Balance	Opening Balance	Additions	Disposals Income	Journal		Closing Balance
Executive & Council	6,769,088	19,750	-	-	-	6,788,838	3,929,325	944,512	-	-	4,873,837	1,915,001
Finance & Admin	39,429,784	194,890	-	2,382,753	2,639,467	39,881,388	1,725,207	660,781	1,645,106	2,639,467	3,380,349	36,501,039
Planning & Development	61,700	-	-	-	-	61,700	18,951	33,073	-	-	52,024	9,676
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	950,082	-	-	-	-	950,082	276,698	32,739	-	-	309,437	640,645
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	2,547,922	184,504	-	-	-	2,732,426	286,940	81,340	-	-	368,280	2,364,146
Sport & Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport	536,577	6,929	-	49,958	-	493,548	178,177	26,677	49,958	-	154,896	338,652
Water	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Other	45,901,809	6,443,859	19,925,237	63,141	-	72,207,764	2,613,865	1,781,337	3,578	-	4,391,624	67,816,140
	96,196,962	6,849,932	19,925,237	2,495,852	2,639,467	123,115,746	9,029,163	3,560,459	1,698,642	2,639,467	13,530,447	109,585,299

# APPENDIX D

## JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010 MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
4,390,930	9,474,926	(5,083,996)	Executive & Council	35,103,820	11,225,389	23,878,431
40,385,672	21,866,749	18,518,923	Finance & Admin	44,465,920	21,413,678	23,052,242
21,219	5,729,557	(5,708,338)	Planning & Development	22,897	6,912,640	(6,889,743)
-	-	-	Health	-	-	-
26,160	4,840,946	(4,814,786)	Community & Social Services	8,770	4,589,630	(4,580,860)
-	-	-	Housing	-	-	-
800,713	2,374,137	(1,573,424)	Public Safety	853,034	2,668,400	(1,815,366)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
-	-	-	Waste Management	-	-	-
6,477,848	11,491,564	(5,013,716)	Road Transport	27,382,190	29,981,431	(2,599,241)
-	-	-	Water	-	-	-
-	-	-	Electricity	-	-	-
45,810,349	50,751,922	(4,941,573)	Other	92,736,986	95,232,809	(2,495,823)
97,912,891	106,529,801	(8,616,910)	Sub Total	200,573,617	172,023,977	28,549,640
-	(3,785,116)	3,785,116	Less Inter-Departmental Charges	-	(2,434,961)	2,434,961
97,912,891	102,744,685	(4,831,794)	Total	200,573,617	169,589,016	30,984,601

APPENDIX E(1) (NOT AUDITED)  
JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY  
REVENUE AND EXPENDITURE  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010  
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property rates					Variance relates to the rebates and discounts on property rates. The MPRA implemented for the 1st time during 2009/10
	865,784	10,511,057	(9,645,273)	-91.76%	
Government Grants and Subsidies	65,844,316	61,722,398	4,121,918	6.68%	
Fines	33	500	(467)	-93.40%	Relates to library fines on lost books
Levies (RSC)	-	-	-	0.00%	
Service Charges	7,654,650	8,325,400	(670,750)	-8.06%	
Rental of Facilities and Equipment	44,196	104,500	(60,304)	-57.71%	Over budgeted for rental of buildings
Workshop Income	2,432,666	3,243,638	(810,972)	-25.00%	
Interest Earned - External Investments	1,593,591	1,000,000	593,591	59.36%	
Interest Earned - Debtors	35,335	-	35,335	0.00%	
Other Income					Received donated assets from Hotazel as income and not included in the budget
	42,639,888	8,831,786	33,808,102	382.80%	
Other Income - Projects	79,463,158	82,541,343	(3,078,185)	-3.73%	
Gains on Disposal of PPE	-	-	-	0.00%	
Reversal of Impairment Loss	-	-	-	0.00%	
Changes in Fair Value	-	-	-	0.00%	
Inventory: Reversal of write-down to Net Realisable Value	-	-	-	0.00%	
<b>Total Revenue</b>	<b>200,573,617</b>	<b>176,280,622</b>	<b>24,292,995</b>	<b>13.78%</b>	
<b>EXPENDITURE</b>					
Executive and Council	11,225,389	11,173,390	51,999	0.47%	
Finance & Admin	21,413,678	34,426,162	(13,012,484)	-37.80%	Savings on subvotes
Planning & Development	6,912,640	7,974,043	(1,061,403)	-13.31%	Savings on subvotes
Community & Social Services	4,589,630	5,511,564	(921,934)	-16.73%	Savings on subvotes
Public Safety	2,668,400	4,647,246	(1,978,846)	-42.58%	Savings on subvotes
Road Transport	29,981,431	27,722,073	2,259,358	8.15%	
Other	95,232,809	92,438,530	2,794,279	3.02%	
Less: Interdepartmental Charges	(2,434,961)	(3,252,539)	817,578	-25.14%	
<b>Total Expenditure</b>	<b>169,589,016</b>	<b>180,640,369</b>	<b>(11,051,353)</b>	<b>-6.12%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>30,984,601</b>	<b>(4,359,747)</b>	<b>35,344,348</b>	<b>-810.70%</b>	

APPENDIX E (2) (NOT AUDITED)

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010  
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS  
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive & Council	90,322	-	90,322	117,000	(26,678)	-22.80%	Savings
Finance & Admin	88,735	-	88,735	100,000	(11,265)	-11.27%	Savings
Planning & Development	-	-	-	-	-	0.00%	
Health	-	-	-	-	-	0.00%	
Community & Social Services	-	-	-	-	-	0.00%	
Housing	-	-	-	-	-	0.00%	
Public Safety	201,845	-	201,845	639,200	(437,355)	-68.42%	Assets donated to Local Municipalities bought
Sport & Recreation	-	-	-	-	-	0.00%	under projects
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	-	-	-	-	-	0.00%	
Road Transport	-	-	-	-	-	0.00%	
Water	-	-	-	-	-	0.00%	
Electricity	-	-	-	-	-	0.00%	
Other	-	-	-	5,000,000	(5,000,000)	-100.00%	
<b>Total</b>	<b>380,902</b>	<b>-</b>	<b>380,902</b>	<b>5,866,200</b>	<b>(5,475,298)</b>	<b>-93.49%</b>	

APPENDIX F

JOHN TAULO GAETSEWE DISTRICT MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2009	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2010	Unspent 30 June 2010 (Creditor)	Unpaid 30 June 2010 (Debtor)
Municipal Systems Impr Grant	270,357	755,000	-	-	(558,456)	-	466,892	466,892	-
Equitable Share Council Allowances	-	362,660	-	-	(362,660)	-	-	-	-
Finance Management Grant	1,678,818	750,000	-	-	(937,864)	-	1,490,954	1,490,954	-
Equitable Share	-	10,432,592	-	-	(10,432,592)	-	-	-	-
Provincial Road Subsidy	-	3,136,667	-	-	(3,136,667)	-	-	-	-
Provincial Grant: Near	-	532,000	-	-	(532,000)	-	-	-	-
Provincial Grant: Fire	-	320,000	-	-	(320,000)	-	-	-	-
Levy Replacement Grant	-	28,146,000	-	-	(28,146,000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	1,949,175	44,434,919	-	-	(44,426,248)	-	1,957,846	-	-
Donkey and Human Drawn Carts	2,306,397	19,103,000	-	-	(17,283,498)	-	4,125,899	4,125,899	-
IDP Review	12,192	-	-	-	(12,192)	-	-	-	-
Sanitation Households	4,504	-	-	-	(4,504)	-	-	-	-
Health Section 78 Report	5,451	-	-	-	(5,451)	-	-	-	-
Sanitation Households	14,936	-	-	-	(14,936)	-	-	-	-
SETA Training	85,574	-	-	-	(85,574)	-	-	-	-
EPWP Donkey Carts	16,678	12,000	-	-	(28,678)	-	-	-	-
Housing Accreditation	56,353	-	-	-	(56,353)	-	-	-	-
Housing Grant: Development	715,294	1,048,037	-	-	(1,393,080)	-	370,251	370,251	-
Library Grant: Magazines	551	-	-	-	(551)	-	-	-	-
Library Grant: Development	14,133	169,000	-	-	(183,133)	-	-	-	-
HIV/AIDS Council	73,168	-	-	-	(2,450)	-	70,718	70,718	-
Sanitation Schools	(655,045)	655,045	-	-	-	-	-	-	-
Kgagagadi Projects	66,554	-	-	-	(66,554)	-	-	-	-
Main Road Maintenance	(1,461,632)	20,181,251	-	-	(17,480,392)	-	1,239,227	1,239,227	-
DWAFF Awareness	16,433	-	-	-	(16,433)	-	-	-	-
Housing Vanzylus	1,589,035	-	-	-	(1,589,035)	-	-	-	-
EPWP Schools Project	(1,544,624)	2,080,448	-	-	(535,824)	-	-	-	-
Health	8,922	-	-	-	(8,922)	-	-	-	-
Asbestos Roads 08/09	(130,618)	4,043,450	-	-	(3,043,368)	-	869,464	869,464	-
Sanitation Clinics	37,883	-	-	-	(37,883)	-	-	-	-
Commonage Farms	425,715	-	-	-	(276,456)	-	149,259	149,259	-
Unsafe Schools Project	816,404	-	-	-	(816,404)	-	-	-	-
Titan Intern Graduation Project	(342,500)	645,000	-	-	(302,500)	-	-	-	-



School Sanitation Project	3,803,248	27,300,000	-	(31,013,478)	-	89,770	89,770
Fencing of Roads: Camden & Bendel	368,782	1,050,000	-	(136,346)	-	1,282,436	1,282,436
School Refurbishment	-	3,000,000	-	(3,000,000)	-	-	-
MIR 938 Mamathwan	-	6,000,785	-	(6,000,785)	-	-	-
Housing Vanzylusrus Fase 3	-	5,548,434	-	(2,382,131)	-	3,166,303	3,166,303
T/R 5/5	-	1,833,122	-	(1,833,122)	-	-	-
Spot Regraveling	-	11,579,487	-	(7,461,946)	-	4,117,541	4,117,541
Moshaweng Water	-	227,687	-	(214,463)	-	13,224	13,224
Taxi Ranks	-	345,684	-	(87,710)	-	257,974	257,974
Debushing	-	935,926	-	(2,460,883)	-	-	-
Sport Development	217	-	-	(217)	-	-	-
Umsobomvu Youth Advisory Centre	(86,907)	369,312	-	(282,405)	-	-	-
Fencing of Roads 08/09	(586,346)	586,346	-	-	-	-	-
Vanzylusrus Housing Retention	222,955	191,186	-	(299,433)	-	114,708	114,708
Donations	10,981	-	-	(10,981)	-	-	-
Total	7,813,863	151,339,519	-	(142,853,719)	-	17,824,620	1,524,957

Unspend Funds  
Creditors Commonage

**John Taolo Gaetsewe District Municipality**  
**Trail Balance at 30 June 2010**

Discription	Folio	Debit	Credit
Loans Outstanding - Office Building.	0301 0016 0000		2,772,528.62
Loans Outstanding - Vanzylsrus	0301 0017 0000		1,696,652.17
Property, Plant and Equipment	0301 0100 0000	121,787,450.57	
Investment Property	0301 0300 0000	1,365,000.00	
Intangible Assets	0301 0400 0000	680,133.00	
Leases	0301 0500 0000		-
Assets held for sale	0301 0500 0000	582,493.10	
Heritage Assets	0301 0600 0000	19,750.00	
Revaluation Reserve	0302 0030 0000		11,359,378.55
Public Donations	0302 0032 0000		65,663,282.40
Accumulated Depreciation PPE	0302 0101 0000		13,530,446.84
Accumulated Depreciation Lease Assets	0302 0201 0000		-
Accumulated Amortasation	0302 0303 0000		448,362.63
Capital Replacement Reseve	0406 0050 0000		173,017.40
Working Capital Hotazel	0407 0070 0000		275,000.00
Working Capital	0407 0071 0000		238,140.75
Provision For Leave	0407 0072 0000		1,429,055.92
Provision : Post Retirement Health Care	0407 0075 0000		14,345,737.00
Insurance Fund	0407 0073 0000		950,000.00
Petty Cash	0500 0091 0000	1,750.00	
Debtors: Electricity	0501 0119 0000	466,066.76	344,957.01
Debtors: Water	0501 0120 0000	418,041.78	19,604.26
Debtors: Rates	0501 0121 0000	249,683.78	24,701.78
Debtors: Refuse	0501 0122 0000	88,187.32	2,455.26
Debtors: Sanitation	0501 0123 000	112,469.71	7,987.82
Debtors: VAT	0501 0124 0000	52.58	17.59
Debtors: Sundries	0501 0125 0000	163,808.16	4,381.14
Debtors: Sundries - No VAT	0501 0126 0000	3,631,355.62	53,373.57
Tranquility Trust	0503 0133 0000	3,300.00	
Deposits Vanzylsrus ESKOM	0503 0134 0000	1,000.00	
Stock	0504 0151 0000	31,328.06	
Investments P Seele	0505 0173 0000	4,875.80	
ENB 62016341208	0505 0174 0000	3,522,257.81	
ENB 62047254272	0505 0175 0000	3,155.41	
ABSA 92-3663-0418	0505 0176 0000	269,750.08	

ABSA 92-3663-0125	0505 0177 0000	46,585.48	
ABSA 92-2896-9110	0505 01820000	2,815,721.38	
ABSA 92-2735-1378	0505 0183 0000	6,007,545.04	
ABSA 92-2940-7543	0505 01084 000	36,435.09	
ABSA 92-2940-7909	0505 0185 0000	1,096,475.62	
ABSA 92-3734-1098	0505 0187 0000	2,254,497.32	
Standard Bank 048596582-001	0505 0109 0000	1,153,115.31	
Standard Bank 048596582-002	0505 0191 0000	100.27	
Standard Bank	0505 0192 0000	2,030,468.47	
Standard Bank	0505 0192 0000	5,075,168.03	
		-	
Creditors	0506 0204 0000	-	6,961,867.59
Surplus	0509 0241 0000	4,576,218.86	-
Surplus 2008/09		-	29,153,793.00
Correction of Error	0509 0245 0000	1,386,936.42	-
Cash Book	0510 0261 0000	1,966,278.07	
PAY	0511 0313 0000	2,744,924.50	
Bonusses	0511 0316 000		1,960,087.99
Other Debtors	0511 0318 0000	1,524,957.00	
Unspend Funds Thwane	0511 0323 0000		149,259.00
MIG Funding	0511 0325 0000		-
Unspend Funds	0511 0326 0000		17,675,361.44
VAT Controle	0511 0337 0000	3,122,113.33	
		<u>169,239,449.73</u>	<u>169,239,449.73</u>

# **CHAPTER 5:**

## **FUNCTIONAL AREA SERVICE DELIVERY REPORTING**

## 5.1 INTRODUCTION

As discussed and listed under 1.2 in Chapter 1, there are five key priority areas for the next term of local government (2006-2011). These KPAs give direction to municipalities in terms of development issues and performance areas. This section together with annexure A reports on specific targets set against these indicators. Each section should be interpreted together with the data sheet reports provided in annexure A.

## 5.2 MUNICIPAL INFRASTRUCTURE GRANT (MIG)

The John Taolo Gaetsewe District Municipality MIG allocation for the 2009/10 financial year is allocated to projects that would assist the local municipalities with the eradication of backlogs related to basic services. The prioritisation of the DM allocation is indicated below and was determined by the priorities received from the local municipalities:

<b>Project Description</b>	<b>Project Budget</b>		
	<b>MIG funds</b>	<b>Council Funding</b>	<b>Total</b>
Maipeng Water	1,300,000		1,300,000
Kortnight	1,000,000		1,000,000
Rural Water supply	2,514,300		2,514,300
Vanzylsrus WWTW	5,000,000		5,000,000
Joe Morolong local & distributor roads	5,000,000		5,000,000
PMU expenditure	782,700	1,355,592	782,700

The above projects have been included in the municipal budget and the project plans are discussed in section below. The main objectives of these projects are to:

- *Focus on infrastructure required for a basic level of service;*
- *Targeting the poor; and*
- *Maximizing economic benefits.*

The table below reflects the actual expenditure of the MIG grant within the district at end June 2010

District Municipality / Municipality	Revised Total MIG Allocation	Total Actual expenditure	% of transferred funds spent	% of allocation spent	Balance
Joe Morolong	R 29,371,000.00	R 28,744,958.14	98%	98%	R 626,041.86
Ga-Segonyana	R 21,484,000.00	R 21,483,709.77	100%	100%	R 290.23
Gamagara	R 6,435,000.00	R 3,615,906.43	51%	56%	R 3,416,093.57
JTG DM	R 15,003,000.00	R 14,845,634.20	99%	99%	R 157,365.80

**Vanzylsrus WWTW** – The upgrading of the Vanzylsrus Waste Water Treatment Works was started during the 2009/10 financial year and the planned completion date is October 2010.

**Maipeng Water Augmentation** – This project is a joint effort between Joe Morolong municipality, KUMBA Iron Ore Mine and the John Taolo Gaetsewe DM to address the water backlog in Maipeng village. The project will be phased and the JTG DM funded the source development with the current financial year MIG allocation. Maipeng has been identified as a priority on the approved MIGbusiness plan, Joe Morolong Water Supply:Feasibility Study & Borehole development (467), National ref nr W/NC/4038/07/08.

**Kortnight Water Augmentation** – This project is a joint effort between Joe Morolong municipality and the John Taolo Gaetsewe DM to address the water backlog in Kortnight village. The project was funded by JTG DM with the current financial year MIG allocation. Kortnight has been identified as a priority on the approved MIG business plan, Joe Morolong Water Supply: Feasibility Study & Borehole development (467), National ref nr W/NC/4038/07/08.

**John Taolo Gaetsewe (Kgalagadi) Rural Water Supply** – The amount of R2,5 mil of the district MIG allocation has been allocated to priorities listed/identified in this approved MIG business plan, MIG Reg nr W/NC/0421/06/10: Bothitong, Camden and Glenred villages were identified as a priority for the financial year. This project addressed the water backlog within the housing projects implemented by the Joe Morolong LM.

**Joe Morolong Local, Connector and Distributor Roads** – This project is a joint effort between Joe Morolong municipality and the John Taolo Gaetsewe DM to address the backlog related to access roads to various villages within the Joe Morolong municipal area. The project has been funded by JTG DM with the current financial year MIG allocation. Logobate (to Mentu) has been identified as a priority on the approved MIG business plan, Local Connector and Distributor Roads (343), national Ref nr R/NC/4604/06/09.

**PMU Expenditure** – The PMU was responsible for the implementation of the MIG programme in the John Taolo Gaetsewe district. The PMU budget reflected the allowed 5% of the district MIG allocation, to the amount of **R 782,700**, budgeted for in the PMU operating budget and the Council contributed a further **R1,355,592**.